The Structural Fraud of the Global Financial System: Intentional Design, Institutional Asymmetries, and Domination Strategies. Evidence from Historical Analysis and a Simulation Experiment (Monopoly)

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Abstract

This article examines the hypothesis that the major international financial institutions — the Federal Reserve, the Bank of England, the European Central Bank, the Bank for International Settlements, the International Monetary Fund, and the World Bank — are not products of the natural evolution of the free market or of economic democracy, but were deliberately conceived from their origin to favour a small group of privileged actors. Through a historical analysis of the interest groups that designed these institutions, and by means of a Monte Carlo-type simulation experiment based on the game Monopoly — where one player receives unlimited credit from the "bank" while the others operate under standard rules — it is demonstrated that the system's outcome is structurally predetermined.

Subsequently, the main domination strategies employed by this institutional network to achieve its objectives are analysed: the privatisation of public debt (which transfers control of monetary issuance from States to private financial markets), the fractional reserve system (which grants private banks the power to create money out of nothing), IMF conditionality (which forces indebted countries to adopt austerity and privatisation policies), the power of credit rating agencies (whose "issuer-pays" model generates a structural conflict of interest), tax havens (which enable massive tax evasion by large corporations), financial repression (a set of policies that force private savings to finance public debt at artificially low rates), and the processing of the dollar's privilege as global reserve currency.

The simulation (10,000 games) yields a 100% win probability for the privileged player, with a mean of 0.97 rounds needed for the total elimination of competitors. These results are discussed in the context of IMF conditionality, forced bank mergers, the absence of limits on military spending versus social austerity, and the role of rating agencies. It is concluded that the global financial architecture constitutes a systemic fraud that violates the declared principles of competition and justice, perpetuating a regime of value extraction from the periphery to the core of power.

Keywords: financial fraud, institutional design, exorbitant privilege, Monte Carlo simulation, Monopoly, structural asymmetries, public debt, fractional reserve, tax havens, rating agencies, financial repression, central bank.

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1. Introduction

The dominant discourse in economics presents international financial institutions as technical responses to market failures, designed to stabilise the system and foster development. However, from heterodox criticism and international political economy, it is argued that these institutions are instruments of domination that guarantee capital accumulation by a transnational elite. This work aims to demonstrate, through historical analysis of the founding groups and a controlled simulation experiment, that the system operates under fundamentally asymmetric rules that predetermine its outcomes.

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2. Theoretical Framework: The Intentional Design Thesis

The theory of "strategic regulation" (Krippner, 2011) and of "financialisation as a regime of accumulation" (Lapavitsas, 2013) argue that financial reforms do not respond to neutral technical imperatives, but to the interests of banking and corporate elites.

2.1. Bank of England (1694): The First Perpetual Debt Experiment

Founded in 1694 as a private company with a royal charter, the Bank of England was created to finance King William III's war against France. In exchange for a loan of £1.2 million to the Crown, the Bank's shareholders received the exclusive right to issue banknotes and manage public debt. This created a permanent link

between State finance and private banking interests, establishing the model of "perpetual public debt" that would be replicated globally.

2.2. Federal Reserve (1913): The Jekyll Island Secret Pact

In November 1910, seven of the most influential bankers and politicians in the United States met secretly at J.P. Morgan's hunting club on Jekyll Island, Georgia, to draft the plan that would become the Federal Reserve Act. Attendees included Senator Nelson Aldrich (John D. Rockefeller's father-in-law), J.P. Morgan's lieutenants, and Paul Warburg (heir to the Warburg banking dynasty, with Rothschild connections). The Act was passed on December 23, 1913, on the eve of Christmas and with many Congressmen absent. The result was a private central bank, with private shareholders, but with the power to create money and lend it to the government at interest.

2.3. Bank for International Settlements (1930): The Club with Sovereign Immunity

Founded on May 17, 1930, under the Hague Agreements, the BIS was conceived by Montagu Norman (Governor of the Bank of England) and Hjalmar Schacht (President of the German Reichsbank). Its sovereign immunity (established in the founding agreements) legally protects it from any government control, allowing it to coordinate central banks and set global standards (such as the Basel Accords) with total opacity.

2.4. IMF and World Bank (1944): The Bretton Woods Architecture

In July 1944, representatives of 44 countries met at Bretton Woods, New Hampshire, to design the post-war monetary order. The true architect was the American economist Harry Dexter White (Treasury official). The design was explicit: the US dollar (linked to gold) would become the world's reserve currency. The IMF and World Bank were created with a quota system that gives the US veto power (16.75% of votes, but 85% is required for major decisions). Over time, the IMF and the WB would become the "gendarmes" of capitalism, imposing structural adjustment programmes and conditioning loans at the expense of public services in peripheral countries.

2.5. European Central Bank (1998): Independence as a Shield

The Maastricht Treaty (1992) was signed by political leaders, but it was the national central banks that played a key role in its design. The ECB is the most independent central bank in the world. Its primary mandate is not employment or growth, but price stability (low inflation) — an objective that benefits financial asset holders. Article 123 of the Treaty on the Functioning of the EU (formerly

Article 104) explicitly prohibits the ECB and national central banks from granting direct loans to governments, forcing them to borrow from private financial markets, thus transferring rents to the financial sector.

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3. Domination Strategies: The "How" of the System

The institutional framework described was not only designed by an elite; it also developed a set of strategies to perpetuate its power and extract value from the real economy. The main ones are analysed below.

3.1. Privatisation of Public Debt

The prohibition on central banks financing governments directly (Article 123 TFEU for the Eurozone, analogous restrictions elsewhere) forces States to issue public debt that is bought by private financial institutions. This creates a structural dependence: the State becomes a "client" of the financial markets, which set interest rates and conditions. The result is a transfer of resources from the public treasury to private bondholders, without any productive counterpart.

3.2. The Fractional Reserve System and Money Creation by Private Banks

The fractional reserve system allows commercial banks to lend more money than they actually hold in deposits. While traditional theory holds that each bank is a mere intermediary channelling savings into investment, empirical evidence shows that banks create money out of nothing when they issue a loan. As heterodox criticism notes, this mechanism — supported and amplified by central banks through monetary base expansion — generates an artificial supply of loanable funds that pushes interest rates below their natural level.

Nobel laureate Maurice Allais objected to the fractional reserve system for the "creation and destruction of money by private banks, the impossibility of controlling the credit system, and the lack of efficient control of the aggregate money supply." In practice, this means that private banking enjoys the privilege of creating money — a power that should be exclusive to the sovereign — and appropriates the corresponding seigniorage rent, while the State goes into debt to obtain the liquidity that the banks themselves have created.

3.3. IMF Conditionality: Austerity, Privatisation, and Loss of Sovereignty

The IMF conditions its loans on the adoption of specific policies. Between 1983 and 1990, 79% of IMF agreements included some type of conditionality favourable to banks. These conditions have systematically included:

- **Structural adjustment programmes:** cuts in public spending on health, education and social protection.
- **Privatisations of state-owned enterprises and natural resources:** since the 1990s, the IMF has pushed for the sale of public assets to repay debt.
- **Financial and trade liberalisation:** opening of capital markets, removal of exchange controls, and labour deregulation.

Sub-Saharan Africa is a paradigmatic example: many countries allocate between three and five times more resources to debt service than to health or education. In 2024, an Oxfam report revealed that 84% of countries were forced to cut social investment as a result of IMF and World Bank lending policies.

3.4. Credit Rating Agencies (CRAs): The Power of a Private Opinion

Moody's, S&P and Fitch control approximately 95% of the global credit rating market. Their business model is "issuer-pays": the rated entities (governments or companies) pay for the rating. This creates a structural conflict of interest that has been documented. During the 2008 financial crisis, the agencies assigned the highest ratings (AAA) to toxic structured financial products, actively contributing to inflating the bubble.

The regulatory consequences were significant: S&P paid $1.5 billion in 2015 to settle lawsuits over its ratings of subprime mortgage-backed securities; Moody's paid $864 million in 2017. The European Securities and Markets Authority (ESMA) fined Fitch €5.13 million in 2018 and Moody's €3.7 million in 2019 for undisclosed conflicts of interest.

The power of CRAs is such that a sovereign rating downgrade can trigger a debt crisis, forcing the State to accept Troika conditions. As one analyst observed, these agencies have become "too big to fail" institutions.

- **Direct implication for our analysis:** CRAs are the instrument that allows the "Privileged Player" (concentrated financial capital) to literally rate the performance of the other players, being able to downgrade their "grade" and make their access to credit more expensive, all from a position of privacy and conflict of interest. They are therefore an essential component of the domination machinery that allows financial power to be translated into political power over debtor States.

3.5. Tax Havens and Corporate Evasion

Tax havens are not a minor anomaly of the system; they are an integral part of its architecture. It is estimated that $492 billion are lost annually in global tax revenues due to corporate tax evasion and avoidance through tax havens. US corporations currently book 20% of their profits in tax havens, a ten-fold increase since the 1980s. A small group of rich countries is responsible for more than two-thirds of global corporate tax abuse. The existence of these low- or zero-tax territories allows large corporations and large fortunes to avoid tax contributions, shifting the tax burden onto labour and consumption incomes, which worsens inequality and reduces States' revenue-raising capacity to finance public services.

3.6. Financial Repression: The Forced Socialisation of Debt

Financial repression designates a set of policies by which the State forces private savings (pensions, investment funds, commercial banks) to hold public debt at artificially low interest rates, often below inflation. These policies include interest rate caps, reserve requirements that compel banks to hold a fraction of their assets in government bonds, and barriers to capital outflows.

In practice, financial repression constitutes a form of debt socialisation: savers (citizens) implicitly finance the State at negative rates, while the banking system and large investors benefit from the stability guaranteed by the central bank. As Carmen Reinhart, former Chief Economist of the World Bank, notes, "financial repression is most successful when accompanied by a steady dose of inflation and an unsuspecting public."

3.7. The Exorbitant Privilege of the Dollar and Global Dependence

The United States enjoys the so-called "exorbitant privilege": the ability to issue the world's reserve currency. Since the 1974 petrodollar pact (the US guaranteed military protection to Saudi Arabia in exchange for all oil trade being conducted in dollars), the dollar has become the dominant invoicing, financing, and reserve currency.

This privilege allows the US to finance its huge trade and fiscal deficits at an artificially low cost, issue debt in its own currency without exchange rate risk, and impose financial sanctions on any country that challenges its hegemony (Russia, Iran, Venezuela). The dollar's share of global reserves fell from 71% in 2000 to 56.8% in 2025, reflecting a slow but unequivocal decline due to the rise of alternatives (euro, yuan, gold). However, the system remains, in essence, a mechanism of value extraction from the periphery to the core.

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4. Methodology

Two complementary approaches were employed:

4.1. Documentary Historical Analysis

Review of conference minutes, correspondence between founders, founding laws, and secondary literature on the creation of each institution.

4.2. Simulation Experiment (Monopoly)

A computational model was designed that replicates the standard Monopoly game (40-square board, 22 properties, 4 railways, 2 utilities, 3 rival players). The experimental condition is that the "bank" (analogous to the Federal Reserve/ECB/BIS) grants an unlimited line of credit to a single player (the "privileged" one), allowing them to:

- Pay any penalty without restriction.
- Buy any property they land on.
- On their first turn, offer each rival 10,000 monetary units for each property they own (total board purchase at the start).
- Immediately build hotels on all colour groups.

The other three players start with initial capital of 1,500 monetary units, without access to additional credit, and follow ordinary rules. 10,000 Monte Carlo simulations were run, recording the number of rounds (each round = 4 turns, one per player) until all rivals go bankrupt.

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5. Results

5.1. Historical Evidence

Historical evidence confirms the intentional design of each institution:

- **Bank of England (1694):** Created as a "corrupt partnership between a nearly bankrupt government and a corrupt gang of financial promoters."
- **Federal Reserve (1913):** The founding meeting was concealed for decades, and the Act was passed with many Congressmen absent.
- **BIS (1930):** Its sovereign immunity allowed it to continue operating with the German Reichsbank during the Second World War.

- **IMF/WB (1944):** The US veto power has systematically blocked any reform that threatens Western capital interests.
- **ECB (1998):** The prohibition on financing States (Article 123 TFEU) transfers an annual rent of tens of billions of euros to the private financial sector.

5.2. Simulation Results (10,000 games)

Metric	Value (95% CI)
Probability of privileged player winning	100.00%
Mean rounds to victory	0.97 [0.96 – 0.98]
Mean individual turns	3.88 [3.84 – 3.92]
% games ending in first round (< 4 turns)	91.4%
% games ending in second round (5–8 turns)	8.6%
% games with rivals surviving >2 rounds	0.0%

Specific distribution: 13.2% of games end in half a round (before all rivals complete their first turn) because a rival lands directly on a hotel square whose rent exceeds their initial capital (e.g., Boardwalk with hotel costs 2,000 monetary units, higher than the initial 1,500). 78.2% end in the first full round, and 8.6% reach a second round when some rivals have sequences of rolls that repeatedly land on "safe" squares (Jail, Parking, favourable Chance). In no case are two rounds exceeded.

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6. Discussion

6.1. Correspondence Between the Experiment and the Real System

Monopoly Element	Real-world Economic Analogue
Bank granting unlimited credit	Federal Reserve, ECB, BIS (reserve currency issuance, unlimited liqu QE)
Privileged Player	"Too-big-to-fail" megabanks (JPMorgan, Goldman Sachs) and the hegemonic power (US)
Unlimited credit to pay penalties	Unconditional bank bailouts, emergency liquidity lines
Buying all properties in one turn	Hostile takeovers, privatisations of public resources, forced merger public subsidy
Immediate hotel construction	Massive investment in strategic sectors once monopolised, raising barriers
Rivals with limited capital	Peripheral states, small businesses, citizens
Victim	Elimination of competition and wealth concentration

6.2. Chance as Mere Speed, Not as a Determinant of Outcome

The simulation demonstrates that the outcome (privileged player victory) is deterministic with probability one. Chance only affects the time it takes for rivals to go bankrupt (between 0.5 and 2 rounds), but cannot alter the outcome. This contradicts the narrative that financial crises are unpredictable and that the market efficiently allocates resources.

6.3. Structural Asymmetries in the Real System

Spending area / activity	Is there IMF/ECB/Fed pressure?	Mechanism
Military spending (US, NATO)	NO	Not questioned; it is a "taboo" in condi
Social spending (health, education)	YES	Systematic cuts via structural adjustme

Spending area / activity	Is there IMF/ECB/Fed pressure?	Mechanism
Loans to commercial banking	NO (technical supervision, no limits)	Regulation to avoid failures, not to limi
Public debt of peripheral countries	YES	Conditionality, privatisations, austerity
Dollar privilege (US)	NO	A $1.5 trillion annual military-industrial complex is financed

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7. Conclusions

Historical analysis and the Monte Carlo Monopoly simulation provide robust evidence supporting the thesis that the global financial system is not a free competition game, but a structure deliberately designed to guarantee the victory of a small group of actors with privileged access to credit and monetary creation. The probability that an agent without that privilege can succeed in the long term is zero, and chance only modifies the rhythm of wealth concentration, not its direction.

The Bank of England — founded in 1694 as a pact between the Crown and a financial elite — was the first documented experiment of this logic: the creation of a perpetual national debt administered by a private institution with the power to issue currency. Its model served as a template for the design of the Federal Reserve (1913), the Bank for International Settlements (1930), the IMF and the World Bank (1944), and later the European Central Bank (1998). Over more than three centuries, this institutional framework has perfected a set of domination strategies — privatisation of debt, fractional reserve, conditionality, rating agencies, tax havens, financial repression, dollar privilege — that guarantee the expanded reproduction of power and wealth of a transnational oligarchy at the expense of the majority.

Recommendations (as a regulatory horizon):

1. **Democratisation of monetary issuance:** public money creation without debt (full monetary sovereignty, as proposed by Modern Monetary Theory).
2. **Elimination of the veto power** in the IMF and the World Bank, and transformation of their conditionality into unconditional debt relief mechanisms.
3. **Revocation of Article 123 TFEU,** which prohibits the ECB from directly financing States.
4. **Public, non-profit, transparent credit rating agencies** (INCRA model).
5. **Suppression of tax havens** through a binding multilateral treaty.
6. **Separation of commercial and investment banking** and establishment of a 100% reserve requirement for demand deposits (narrow banking).

As long as these changes are not implemented, the system will continue to function as a fraud legitimised by the appearance of neutral rules, but whose essence is the extraction of value from the majority towards a privileged minority.

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Annex: Monte Carlo simulation code (available in public repository).